

Message Text

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70

ACTION EB-11

INFO OCT-01 ARA-16 EA-11 ISO-00 L-03 SS-20 NSC-10 H-03

STR-08 AGR-20 AID-20 CIAE-00 COME-00 FRB-02 INR-10

NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03 CIEP-02

LAB-06 SIL-01 OMB-01 PA-04 PRS-01 USIA-15 /188 W

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R 012252Z NOV 73

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 4040

INFO AMEMBASSY GUATEMALA

AMEMBASSY TEGUCIGALPA

AMEMBASSY MANAGUA

AMEMBASSY LA PAZ

RUEHKOAMEMBASSY TOKYO 028

AMEMBASSY MEXICO

AMEMBASSY SAN JOSE

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E.O. 11652 - N/A

TAGS: EAGR, ETRD, ES

SUBJECT: COTTON FUTURES CONTRACTS TO GO TO COURT

REF: STATE 203891

1. ARMANDO JIMENEZ OF COTTON COOPERATIVE ADVISED TODAY THAT HIS ORGANIZATION HAS TAKEN STEPS TO PUT THE QUESTION OF COTTON FUTURES CONTRACTS BEFORE THE COURTS HERE. COOPERATIVE IS CLAIMING FORCE MAJEURE ON BASIS OF READJUSTMENT OF INTERNATIONAL MONETARY RELATIONSHIPS AND SUBSEQUENT RELATED EVENTS. HE THINKS IT WILL BE AT LEAST FOUR TO FIVE MONTHS BEFORE A COURT DECISION CAN BE OBTAINED.

2. LOCAL REPRESENTATIVES OF JAPANESE BUYERS WERE ADVISED YESTERDAY, AND ONE SUCH REPRESENTATIVE REPORTEDLY TOLD JIMENEZ

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(ON ORDER FROM TOKYO) THAT IF COOPERATIVE WON IN COURT AND

DELIVERIES WERE NOT MADE, EL SALVADOR COULD QTE FORGET ABOUT FUTURES CONTRACTS FOR 1974-75 END QTE. JAPANESE ARE SAID TO HAVE BEGUN OPENING LETTERS OF CREDIT AND RESERVING SHIPPING SPACE IN AN ATTEMPT TO PRESSURE PRODUCERS INTO SELLING.

3. JIMENEZ WAS VERY UPSET ABOUT DECISION TO GO TO COURT WHICH WAS MADE BY MANAGER-
SHIP OVER ADVICE TO THE CONTRARY BY THE COOPERATIVE'S BOARD. HE REFERRED TO THE MORE THAN THIRTY YEARS OF THE ORGANIZATION'S EXISTENCE AND THE EXCELLENT REPUTATION THAT HAD BEEN DEVELOPED DURING THIS TIME, NOTING THAT THE HARD EARNED REPUTATION WAS NOW GONE. HE SAYS THAT IF COURT DECISION GOES AGAINST COOPERATIVE THEY WILL DELIVER, BUT THAT BY THAT TIME DAMAGE WOULD HAVE BEEN DONE AND FUTURES MARKET WOULD NEVER AGAIN BE THE SAME. HE NOTED RECENT DROP IN SPOT PRICES AND HALF IN JEST SAID THAT BY THE TIME COURT CASE WAS SETTLED HIS MEMBERSHIP MIGHT BE WISHING FOR THE CONTRACTED PRICES.

4. ALONG THOSE LINES, HAS WASHINGTON DONE ANALYSIS OF EXTENT TO WHICH FREEING UP OF COTTON WILL DROP SPOT PRICES?
MOSKOWITZ

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